

## **11 KAR 3:015. Borrower eligibility.**

RELATES TO: KRS 164.744(1), 164.748(1), (3), (14), 164.753(2), 164.766, 34 C.F.R. 682.405, 20 U.S.C. 1078, 1078-1, 1078-2, 1078-3, 1078-6, 1087kk

STATUTORY AUTHORITY: KRS 13A.100(1), 164.746(6), 164.748(4), 34 C.F.R. 682.401(b)(10)(ii)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 164.744(1) empowers the authority to insure loans to students, provided that the loans meet the criteria of the federal Act. Pub.L. 102-325, enacted July 23, 1992, reauthorized the federal Act and made substantial changes in the insured student loan programs. The administrative regulation is necessary to prescribe the eligibility of borrowers and students who would benefit from authority insured student loans. This amendment is necessary to prescribe conditions under which a borrower who is in default on an authority insured student loan may qualify for reinstatement of eligibility for additional student financial assistance and rehabilitation of the defaulted loan. The amendment of this administrative regulation is also necessary to reflect the elimination of the Federal SLS Program, effective July 1, 1994, and the elimination of the minimum outstanding insured student loan indebtedness prerequisite to obtaining federal consolidation loan, pursuant to Pub.L. 103-66 (20 U.S.C. 1078-1 and 1078-3).

Section 1. Student Eligibility. Except as provided in Section 12 of this administrative regulation, a student is eligible to borrow or benefit from assistance for any academic year, whether or not the student has already obtained a first baccalaureate degree, under the subsidized and the unsubsidized Robert T. Stafford Federal Student Loan, the federal PLUS, and the federal SLS programs if the student:

(1)(a) Is a regular student enrolled or accepted for enrollment as at least a half-time student in a degree, certificate, or other eligible program (including a program of study abroad approved for credit by the participating institution at which the student is enrolled) leading to a recognized educational credential at a participating institution; or

(b) Is, for one, consecutive twelve (12) month period, enrolled or accepted for enrollment for at least one-half (1/2) the normal full-time work load (for the course of study that the student is pursuing), as determined by the participating institution, in a course of study necessary for enrollment in an eligible program; or

(c) Is enrolled or accepted for enrollment for at least one-half (1/2) the normal full-time work load (for the course of study that the student is pursuing), as determined by the participating institution, in a program at a participating institution necessary for a professional credential or certification from a state that is required for employment as a teacher in an elementary or secondary school in that state;

(2) Is not enrolled in either an elementary or secondary school;

(3)(a) Has a high school diploma or its recognized equivalent; or

(b)1. Is above the age of compulsory school attendance in the state in which the participating institution he is attending is located; and

2. Has the ability to benefit from the training offered by that institution, according to the requirements of Section 2 of this administrative regulation;

(4)(a) Is a U.S. citizen or national; or

(b) Provides evidence from the U.S. Immigration and Naturalization Service that he:

1. Is a permanent resident of the United States; or

2. Is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident; or

(c) Is a permanent resident of the Trust Territory of the Pacific Islands;

(5) If currently enrolled, is maintaining satisfactory progress in his course of study according to

the institution's standards of satisfactory progress and, if applicable, the requirements of Section 3 of this administrative regulation;

(6) Has filed with the participating institution a statement of selective service registration status in accordance with Section 4 of this administrative regulation;

(7) Is a national of the United States, if enrolled or accepted for enrollment in a foreign school; and

(8) Meets the following conditions, if enrolled in a flight school program at a participating institution:

(a) Plans to pursue or is pursuing a full-time program leading to commercial flight ratings;

(b) Has completed ground school training or is taking it concurrently with flight training;

(c) Holds a private pilot's certificate or has sufficient flight hours to qualify for that certificate; and

(d) Holds at least a Class II medical certificate.

**Section 2. Students Who Are Not High School Graduates.** In order for a student who does not have a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, to be eligible to benefit from assistance under the subsidized and the unsubsidized Robert T. Stafford Federal Student Loan or the federal PLUS programs, the student shall meet one (1) of the following standards:

(1)(a) The student shall take an independently administered examination (approved by the secretary on the basis of compliance with standards for development, administration, and scoring as the secretary may prescribe in administrative regulations), and shall achieve a score, specified by the secretary, demonstrating that the student can benefit from the education or training being offered; or

(b) The student shall be determined as having the ability to benefit from the education or training in accordance with a process that a state may prescribe, which shall be effective for purposes of this section six (6) months after the date the process is submitted to the secretary, unless the secretary disapproves the process, taking into account the effectiveness of the process in enabling students without high school diplomas or the equivalent thereof to benefit from the instruction offered by institutions utilizing the process, and the cultural diversity, economic circumstances, and educational preparation of the populations served by the institutions;

(2) Enrollment prior to July 1, 1991. A student who was admitted to a participating institution for a period of enrollment beginning prior to July 1, 1991 and continues to be enrolled as a regular student on the basis of that student's ability to benefit from the institution's education or training program remains eligible to benefit from assistance under the subsidized and the unsubsidized Robert T. Stafford Federal Student Loan or the federal PLUS programs only if the student:

(a)1. Before admission, was administered a nationally recognized, standardized, or industry-developed test, subject to criteria developed by the institution's nationally recognized accrediting agency or association, that measures the student's aptitude to complete successfully the educational program to which he has applied; and

2. Demonstrated that aptitude on that test; or

(b) Receives a GED before the earlier of the student's certification or graduation from his program of study, or the completion of the student's first academic year of that program of study; or

(c) Enrolls in and successfully completes a remedial or developmental educational program of not more than one (1) academic year that is prescribed by the institution, if the student is counseled before admission, or does not demonstrate the aptitude necessary to complete successfully the educational program to which he has applied on the test described in paragraph (2)(a)1 of this section.

Section 3. Satisfactory Progress. For the purpose of Section 1(5) of this administrative regulation, a student shall be considered to be maintaining satisfactory progress if, for a student who has not received assistance under the subsidized Robert T. Stafford Federal Student Loan, the federal PLUS, or the federal SLS programs, for a period of enrollment beginning before July 1, 1987, the participating institution:

- (1) Reviews the student's academic progress at the end of each academic year, or its equivalent, as determined by the institution; and
- (2) Determines that the student is making satisfactory academic progress at the end of that student's second academic year of attendance at the institution on the basis of a finding that:
  - (a) The student has at least a cumulative grade point average of C or its equivalent, or academic standing consistent with its graduation requirements; or
  - (b) The student's failure to have at least a cumulative grade point average of C or its equivalent, or academic standing consistent with its graduation requirements, was caused by:
    1. The death of a relative of the student;
    2. An injury or illness of the student; or
    3. Other special circumstances; and
- (3) Determines, in the case of a student who was not making satisfactory academic progress in accordance with subsection (2) of this section at the end of that student's second academic year of attendance at the institution, that the student is making satisfactory academic progress if that student subsequently obtains academic standing consistent with the institution's requirements for graduation at the end of a grading period.

Section 4. Statement of Registration Status. (1) Unless the participating institution determines, based on clear and unambiguous evidence, that the student is not required to be registered with Selective Service, a student who is applying for a subsidized or unsubsidized federal Stafford loan or a federal SLS loan, or who will benefit from a loan under the federal PLUS program, shall file a statement of registration status with the participating institution.

- (2) Until a student files a statement of registration status required pursuant to subsection (1) of this section, the participating institution shall not, for any period of instruction:
  - (a) Disburse funds to the student under any authority insured student loan program; or
  - (b) Certify the institutional portion of the authority insured student loan application.
- (3) In the statement of registration status, the student shall certify either that he is registered with Selective Service or that, for a specified reason, he is not required to be registered. This requirement shall not apply to a student who is:
  - (a) Enrolled in an officer procurement program the curriculum of which has been approved by the Secretary of Defense at the following institutions:
    1. The Citadel, Charleston, South Carolina;
    2. North Georgia College, Dahlonega, Georgia;
    3. Norwich University, Northfield, Vermont; or
    4. Virginia Military Institute, Lexington, Virginia;
  - (b) A commissioned officer of the Public Health Service who is on active duty as provided in Section 6(a)(2) of the Military Selective Service Act; or
  - (c) Unable to present himself for registration for reasons beyond his control, such as being hospitalized, incarcerated, or institutionalized.
- (4)(a) Except as provided in paragraph (b) of this subsection, a student required under subsection (1) of this section to file a statement of registration status shall do so once for each academic year. If the student's status under registration law changes during the academic year after he has completed the statement of registration status, the student shall not be required to file a new statement for that year.

(b) A participating institution may waive the requirement that a student file a statement of registration status once for each academic year if:

1. The institution already has on file a statement of registration status for that student; and
2. The student's status under registration law has not changed since the institution received the most recently filed statement of registration status.

(c) A participating institution which waives the requirement that a student file the statement of registration status is liable for any authority insured student loan provided to a student who was required to register, but who was not registered, if:

1. The institution made its determination that the student was not required to register on the basis of ambiguous information regarding his status under registration law; or
2. The institution had conflicting information about whether the student was required to register, and its determination that the student was not required to register was not reasonable in the light of all available information.

(d) An institution which accepts a statement of registration status from a student is liable for any authority insured student loan provided to a student who was required to register, but who was not registered, if the institution:

1. Has information that conflicts with the student's statement; and
2. Its acceptance of the student's representation on the statement regarding his status was not reasonable in light of all the available information.

Section 5. Eligible Borrower. (1) Student borrower. A student is eligible to borrow a subsidized and unsubsidized federal Stafford loan, if the student:

- (a) Meets the requirements of Section 1 of this administrative regulation; and
- (b) Provides his Social Security number; and
- (c) Authorizes the participating institution in writing to pay directly to the holder of the loan that portion of any refund of school charges that is allocable to the loan; and
- (d) Except as provided in Section 6 of this administrative regulation, does not owe, and certifies that he does not owe a refund on a grant awarded under the Pell Grant, SEOG, or SSIG programs;
- (e) Except as provided in Section 7 of this administrative regulation, is not in default, and certifies that he is not in default, on any loan made under the National Defense/Direct Student Loan, Perkins Loan, the subsidized and unsubsidized Robert T. Stafford Federal Student Loan, federal PLUS, federal SLS, federal Direct Loan, or federal Consolidation Loan programs;
- (f) Has filed with the participating lender a statement of educational purpose in accordance with the requirements of Section 8 of this administrative regulation;
- (g) As determined by the participating institution that he attends, except as provided in Section 9 of this administrative regulation, has not borrowed:
  1. In excess of the annual loan limits under the subsidized and unsubsidized Robert T. Stafford Federal Student Loan, federal PLUS, or federal SLS programs in the same academic year for which he has applied for assistance under any authority insured student loan program; and
  2. In excess of the aggregate maximum loan limits under the Perkins Loan, subsidized and unsubsidized Robert T. Stafford Federal Student Loan, federal PLUS, federal SLS, or federal Consolidation Loan programs;
- (h) Is not serving in a medical internship or residency program;
- (i) Except for a graduate or professional student:
  1. Has received a determination of eligibility or ineligibility for a Pell Grant for the period of enrollment, and, if determined to be eligible, filed an application for a Pell Grant for such enrollment period; or
  2. Has filed an application with the Pell Grant processor for the participating institution for the

enrollment period, and received from the financial aid administrator of the institution a preliminary determination of the student's eligibility or ineligibility for a Pell Grant.

(j) Does not owe a refund of a grant awarded by the authority, and is not delinquent in repayment of any other financial obligation to the authority, except that ineligibility under this paragraph may be waived by the executive director of the authority upon the recommendation of a designated staff review committee for cause;

(k) Meets the additional requirements provided in Sections 9 and 10 of this administrative regulation applicable to the type of loan sought by the student; and

(2) Parent borrower. A parent is eligible to receive a federal PLUS Program loan if the parent:

(a) Is borrowing to pay for the educational costs of a dependent student who meets all of the qualifications set forth in Section 1 of this administrative regulation;

(b) Provides his Social Security number;

(c) Meets the qualifications pertaining to citizenship and residency status set forth in Section 1(4) of this administrative regulation;

(d)1. Except as provided in Section 6 of this administrative regulation, does not owe, and certifies that he does not owe a refund on a grant awarded under the Pell Grant, SEOG, or SSIG programs; and

2. Except as provided in Section 6 of this administrative regulation, the student for whom a parent is borrowing does not owe, and certifies that he does not owe a refund on a grant awarded under the Pell Grant, SEOG, or SSIG programs;

(e)1. Except as provided in Section 7 of this administrative regulation, is not in default, and certifies that he is not in default, on any loan made under the National Defense/Direct Student Loan, Perkins Loan, the subsidized and unsubsidized Robert T. Stafford Federal Student Loan, federal PLUS, federal SLS, federal Direct Loan, or federal Consolidation Loan programs; and

2. Except as provided in Section 7 of this administrative regulation, the student for whom a parent is borrowing is not in default, and certifies that he is not in default, on any loan made under the National Defense/Direct Student Loan, Perkins Loan, the subsidized and unsubsidized Robert T. Stafford Federal Student Loan, federal PLUS, federal SLS, federal Direct Loan, or federal Consolidation Loan programs;

(f) Has filed with the participating lender a statement of educational purpose in accordance with the requirements of Section 8 of this administrative regulation; and

(g) For loans on which the first disbursement is made on or after July 1, 1993, does not have an adverse credit history;

(h) Does not owe a refund of a grant awarded by the authority, and is not delinquent in repayment of any other financial obligation to the authority, except that ineligibility under this paragraph may be waived by the executive director of the authority upon the recommendation of a designated staff review committee for cause.

**Section 6. Refund of a Grant or Scholarship Overpayment.** A student shall owe a refund on a grant if the student receives a grant overpayment. A student receives a grant overpayment if the student's grant payments exceed the amount he is eligible to receive or use. Notwithstanding Section 5(1)(d) and (2)(d) of this administrative regulation, an otherwise eligible student or an otherwise eligible parent borrower who owes a refund on a Pell Grant, SEOG, or SSIG due to an overpayment shall be eligible to benefit from assistance under the subsidized and the unsubsidized Robert T. Stafford Federal Student Loan, the federal PLUS, and the federal SLS programs under the following conditions:

(1) Pell Grant overpayment.

(a) If an institution makes a Pell Grant overpayment to a student, that otherwise eligible student or an otherwise eligible parent borrower shall be eligible pursuant to Section 5(1)(d) or (2)(d) of

this administrative regulation if the institution can eliminate the overpayment in the award year in which it occurred by adjusting subsequent Pell Grant payments for that award year.

(b) If an institution makes a Pell Grant overpayment to a eligible student as a result of its own error, and cannot eliminate the overpayment under paragraph (a) of this subsection, the otherwise eligible student or otherwise eligible parent borrower shall be eligible pursuant to Section 5(1)(d) or (2)(d) of this administrative regulation if the student acknowledges the overpayment and agrees, in writing, to repay it within six (6) months.

(2) SEOG or SSIG overpayment. If an institution makes an SEOG or SSIG overpayment to a student, that otherwise eligible student or otherwise eligible borrower shall be eligible pursuant to Section 5(1)(d) or (2)(d) of this administrative regulation if the institution can eliminate the overpayment by adjusting financial aid payments (other than Pell Grants) in the same award period in which the overpayment occurred.

Section 7. Default on a Loan. Notwithstanding Section 5(1)(e) and (2)(e) of this administrative regulation, an otherwise eligible borrower or student for whom a parent is borrowing who is in default on any loan made under the National Defense/Direct Student Loan, Perkins Loan, the subsidized or the unsubsidized Robert T. Stafford Federal Student Loan, the federal PLUS, the federal SLS, or the federal Consolidation Loan programs shall be eligible to benefit from assistance under an authority insured student loan program under the following conditions:

(1)(a) An otherwise eligible borrower or student for whom a parent is borrowing who is in default on a loan made under the subsidized or the unsubsidized Robert T. Stafford Federal Student Loan, the federal PLUS, the federal SLS, or the federal Consolidation Loan programs shall be eligible pursuant to Section 5(1)(e) or (2)(e) of this administrative regulation if the secretary, for a federally insured loan, or a guarantee agency, for a loan insured by that guarantee agency, determines that the otherwise eligible borrower has requested, in writing, reinstatement of eligibility or rehabilitation of the defaulted loan and has made satisfactory arrangements, as determined by the authority, to repay the defaulted loan.

(b) For purposes of paragraph (a) of this subsection, the otherwise eligible borrower shall be deemed to have made satisfactory arrangements to repay a defaulted authority insured student loan if the borrower or student for whom a parent is borrowing:

1. Submits a copy of the borrower's and the borrower's spouse's most recent federal income tax returns and complete documentary evidence of all sources of the borrower's family income, including, but not limited to, as applicable, proof of the borrower's and the borrower's spouse's disposable earnings for the two (2) most recent pay periods, welfare benefits, Social Security benefits, alimony and child support received, veterans' benefits, supplemental security income, workers' compensation and disability compensation, unemployment compensation, commissions, tips and self-employment income; and

2. Submits complete verifiable information reflecting the reasonable and necessary current living expenses of the borrower and the borrower's spouse, including, but not limited to housing, food, utilities, medical costs, dependent care costs, work-related expenses, and other Title IV loan repayment and the remaining balance on such loans; and

3. Agrees to make monthly payments, determined at the sole discretion of the authority based upon evaluation of the borrower's disposable income and reasonable and necessary living expenses; and

4. Does make in accordance with paragraph (c) of this subsection, at least three (3) consecutive agreed payments to reinstate eligibility for a federal consolidation loan or six (6) consecutive agreed payments to reinstate eligibility to receive other Title IV student financial assistance or twelve (12) consecutive agreed payments to qualify for consideration of rehabilitation of the defaulted loan, each of which shall be received by the authority or its agent within fifteen (15) days of

the schedule payment due date.

(c) For purposes of paragraph (b)3 and 4 of this subsection, payments shall be voluntarily made directly by the borrower (and not by anyone else on the borrower's behalf), shall not include payments received from setoff, garnishment or property execution, or under a court ordered bankruptcy or reorganization plan, and shall not exceed an amount that is determined by the authority to be reasonable and affordable based on the borrower's total financial circumstances. The amount of the borrower's nonexempt disposable earnings authorized by law which may be withheld pursuant to a judicial or administrative order of wage garnishment shall be considered reasonable and affordable, although the authority may prescribe a lower amount if the total financial circumstances of the borrower so warrant, in the judgment of the authority.

(d) For purposes of paragraph (b) of this subsection, disposable income shall include that part of compensation from an employer and other income from any source that remains after the deduction of any amounts required by law to be withheld, or any child support or alimony payments that are made under a court order or legally enforceable written agreement. Amounts required to be withheld by law include, but are not limited to, federal and state taxes, Social Security contributions, and wage garnishment payments.

(e) The authority may, at the time the borrower has completed twelve (12) monthly payments for rehabilitation of the defaulted loan, evaluate the borrower's capability to make monthly payments sufficient to repay the remaining balance with accruing interest and any costs over a nine (9) year period, and may decline rehabilitation if the authority determines that the borrower is not capable of making the necessary payments, representing a substantial risk of a subsequent default.

(f) Failure of the borrower to submit any and all information required under paragraph (b) of this subsection shall be grounds for the disallowance of that item in the calculation of the reasonable and affordable payment amount and shall be grounds for the denial of the request for rehabilitation, reinstatement, or consolidation loan.

(g) The borrower shall be provided with a written statement of the reasonable and affordable payment amount. The borrower shall have an opportunity to object to those terms by submitting a written objection, which the authority shall consider and upon which, within the authority's sole discretion, the authority may revise, amend, reject, or otherwise make a determination as to a change in the reasonable and affordable payment amount. The authority shall consider a written objection received by the authority within ten (10) days of the mailing to the borrower of the written determination of a reasonable and affordable payment amount.

(2) Defense/Direct Loan, Perkins Loan, and Income Contingent Loan programs. An otherwise eligible student who is in default on a loan made under the National Defense/Direct Student Loan, Perkins Loan, or Income Contingent Loan programs shall be eligible pursuant to Section 1(7) of this administrative regulation if the institution that made the loan or the secretary, if the loan has been assigned to the secretary, certifies that the student has made satisfactory arrangements to repay that loan.

(3) The participating institution may rely on the borrower's or student's written statement that he is not in default, unless the institution has information to the contrary.

(4) Neither a loan that is discharged in bankruptcy nor a defaulted loan that is paid in full after default shall be considered to be in default for purposes of this section.

**Section 8. Statement of Educational Purpose.** (1) In order to meet the requirement of Section 5(1)(f) and (2)(f) of this administrative regulation, an otherwise eligible borrower shall submit to the lender, each academic year for which a loan is sought, a written statement of educational purpose, on a form approved by the secretary, which need not be notarized, certifying that the loan proceeds will be used solely for costs of attendance at the school that the borrower, or the student

on whose behalf a parent is borrowing, is or will be attending. In this statement the borrower shall include his Social Security number or if he does not have a Social Security number, his student identification number.

(2) Notwithstanding subsection (1) of this section, a student is only required to file the statement of educational purpose once for his course of study if:

- (a) The course of study is one (1) academic year or less in length; and
- (b) The student is expected to complete the course of study within a twelve (12) month period.

Section 9. Additional Eligibility Requirements for Receipt of a Subsidized Federal Stafford Loan. In addition to the requirements provided in Sections 1 and 5(1) of this administrative regulation, a student seeking a subsidized federal Stafford Loan shall:

(1) Have provided to the lender a statement from the participating institution, at which the student has been accepted for enrollment, or at which the student is in attendance, that:

- (a) Sets forth the student's estimated cost of attendance;
- (b) Sets forth, for the period for which the loan is sought, the amount of estimated financial assistance the student will receive;
- (c) Sets forth a schedule for disbursement of the proceeds of the loan in installments;
- (d) Evidences a determination of need for a loan and the amount of such need, as determined under part F of Title IV of the federal Act (20 U.S.C. 1087kk, et seq.);

(2) Provide to the lender at the time of application for a loan the student's driver's license number, if any;

(3) A participating institution shall not, in carrying out the provisions of subsection (2) of this section, provide a statement which certifies the eligibility of any student to receive any loan under this section in excess of the maximum amount applicable to such loan;

(4) Except as provided in subsection (3) of this section, a participating institution may refuse to certify a statement which permits a student to receive a loan or to certify a loan amount that is less than the student's determination of need, as determined under part F of Title IV of the federal Act (20 U.S.C. 1087kk, et seq.), if the reason for such action is documented and provided in written form to each student so affected.

Section 10. Eligibility Requirements for Receipt of a Federal Consolidation Loan. (1) For the purpose of this section, an individual shall be eligible to borrow a federal Consolidation Loan, if, at the time of application for a consolidation loan, the individual is in repayment status, or in a grace period preceding repayment, or is a delinquent or defaulted borrower, who has made satisfactory repayment arrangements pursuant to Section 7 of this administrative regulation, and who will reenter repayment through loan consolidation.

(2) An individual's status as an eligible borrower under this section terminates upon receipt of a consolidation loan under this section except:

(a) With respect to eligible student loans received after the date of receipt of the consolidation loan; and

(b) That loans received prior to the date of the consolidation loan may be added to the consolidation loan during the 180-day period following the making of the consolidation loan.

(3) A married couple, each of whom has eligible student loans, may be treated as if the couple were an individual borrowing under subsections (1) and (2) of this section if the couple agrees to be held jointly and severally liable for the repayment of a consolidation loan, without regard to the amounts of the respective loan obligations that are to be consolidated, and without regard to any subsequent change that may occur in the couple's marital status. Only one (1) spouse in a married couple applying for a consolidation loan need meet any of the requirements of subsection (1) of this section, except that each spouse shall:



(a) Individually make the initial certification that no other application is pending for a federal Consolidation Loan, or that the individual has sought and has been unable to obtain a federal Consolidation Loan from the holders of that individual's eligible loans selected for consolidation; and

(b) Agree to promptly notify the holder of the federal Consolidation Loan concerning any change of address.

(4) Eligible student loans. For the purpose of this section, student loans are eligible for discharge through a federal Consolidation Loan if the loans are:

(a) Made, insured, or guaranteed under part B of Title IV of the federal Act, except for loans made to parent borrowers under the federal PLUS loan program as in effect prior to October 17, 1986;

(b) Made under part E of Title IV of the federal Act; or

(c) Made under subpart 11 of part C of title VII of the Public Health Service Act.

Section 11. Conditions of Ineligibility. (1) Notwithstanding any other provision of this administrative regulation, no incarcerated student or parent is eligible to receive an authority insured student loan under this title.

(2) Loss of eligibility for violation of loan limits.

(a) No student shall be eligible to receive any loan under this administrative regulation if the participating institution determines that the student fraudulently borrowed in violation of the annual loan limits applicable to any loan made or insured under Title IV part B, part D or part E of the federal Act in the same academic year, or if the student fraudulently borrowed in excess of the aggregate maximum loan limits applicable to any loan made or insured under part B, part D or part E of the federal Act.

(b) If the participating institution determines that the student inadvertently borrowed amounts in excess of such annual or aggregate maximum loan limits, the institution shall allow the student to repay any amount borrowed in excess of the limits prior to certifying the student's eligibility for further authority insured student loans.

(3) An individual who previously had a federal Stafford loan, federal SLS loan, federal PLUS loan, or a federal Consolidation loan cancelled, due to disability, or discharged, by compromise, shall not be eligible for an authority insured student loan until the borrower:

(a) Reaffirms the loan debt that was previously cancelled due to the borrower's total and permanent disability or compromise; and

(b) 1. In the case of a borrower whose previous loan was cancelled due to total and permanent disability, obtains a certification from a physician that the borrower's condition has improved and that the borrower is able to engage in substantial gainful activity; and

2. Signs a statement acknowledging that any new loan the borrower receives cannot be cancelled in the future on the basis of any present impairment, unless that condition substantially deteriorates.

(4) A student shall not be eligible to borrow or benefit from an authority insured student loan for enrollment in a correspondence course of instruction, unless the course is part of a program leading to an associate, bachelor, or graduate degree.

(5) The financial aid officer at a participating institution shall reduce the amount of an authority insured student loan for which a student is otherwise eligible, if the financial aid officer determines that the student's cost of attendance is substantially reduced due to instruction by means of the use of television, audio, or computer transmission, including open broadcast, closed circuit, cable, microwave, or satellite, audio conferencing, computer conferencing, or video cassettes or discs, other than a course that is delivered using video cassette or disc recordings that is not delivered in person to other students of the participating institution.

(6) An individual shall not be eligible to borrow or benefit from an authority insured student loan to the extent the individual is determined by a court, pursuant to Pub.L. 100-690, to be ineligible to receive any federal benefits following conviction for any federal or state offense related to distribution or possession of controlled substances. (19 Ky.R. 1671; Am. 2019; eff. 3-4-93; 21 Ky.R. 1901; eff. 4-6-95.)